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Message Text

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50
ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 JUSE-00 AGR-20 CEA-02 CIAE-00

COME-00 DODE-00 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06

NSAE-00 NSC-07 PA-04 RSC-01 AID-20 CIEP-02 SS-20

STR-08 TAR-02 TRSE-00 USIA-15 PRS-01 SPC-03 FEA-02

OMB-01 SWF-02 DRC-01 EUR-25 /196 W
---------- 126181
P R 281705Z MAR 74
FM AMEMBASSY SAN JOSE
TO SECSTATE WASHDC PRIORITY 6613
INFO AMEMBASSY BOGOTA
AMEMBASSY BRASILIA
AMEMBASSY GUATEMALA
AMCONSUL GUAYAQUIL
AMEMBASSY MANAGUA
AMEMASSY PANAMA
AMEMBASSY QUITO
AMEMBASSY SAN SALVADOR
AMEMBASSY TEGUCIGALPA

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E.O. 11652: N/A
TAGS: ETRD, CS
SUBJECT: BANANAS EXPORT TAX

REF: (A) STATE 060371
(B) SAN JOSE 1176
(C) STATE 057517

1. SUMMARY: PRESIDENT ELECT ODUBER TOLD US AND AN
ADDITIONAL NEWSPAPER CLAIMS THAT ALL BANANA COMPANIES
ACCEPTED THE TAX AT THE MARCH 25 MEETING. THIS IS AT
VARIANCE WITH OUR CONVERSATION WITH KIRCHHOFF AND WAITE.
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WIDESPREAD IDENTIFICATION WITH AND APPROVAL OF THE NEW TAX

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CONTINUES. WOULD BE USEFUL TO HAVE VERSION OF MEETING FROM
TAYLOR AND JOHNSON OF UNITED WHO WE UNDERSTAND ARE NOW IN BOSTON.

2. REFERENCE A APPARENTLY CROSSED WITH OUR REPORT OF
THE MARCH 25 MEETING DESCRIBED IN REFERENCE B. IN ADDITION
TO THOSE ATTENDING THE MEETING REPORTED BY US, DEL MONTE
WAS REPRESENTED BY JACK LOEB AND SAMMY GORDON (WHO ARE
BASED HERE) AND ACCORDING TO LA NACION THE SMALL GERMAN
FRUIT COMPANY HERE WAS REPRESENTED BY L. FUSCH AND L.
BENECKE. ALSO MINISTER OF AGRICULTURE BATALLA ATTENDED.
IN ADDITION KIRCHHOFF TOLD US THAT DIPLOMATIC REPRESENTATIVES
FROM NICARAGUA AND COLOMBIA ATTENDED.

3. WE ARE CONCERNED THAT NOW IN ADDITION TO LA REPUBLICA
ANOTHER NEWSPAPER, DIARIO DE COSTA RICA, ON MARCH 27
REPORTED THE MEETING AS A SUCCESS WITH THE NEW PRICES
ACCEPTED BY ALL BANANA COMPANIES. MOREOVER, DURING A
LUNCHEON CONVERSATION WITH EMBOFFS AND ROCAP DIRECTOR ON
MARCH 27 PRESIDENT-ELECT ODUBER ALSO MAINTAINED THAT STANDARD
HAD AGREED TO THE TAX IN EXCHANGE FOR A 12 PERCENT PRODUCTION
CUTBACK FOR THE YEAR BEGINNING APRIL 1 (NOT FOR JUST TWO WEEKS
AS REPORTED IN REFERENCE B) AND "A FEW OTHER LITTLE DETAILS
THAT WOULD BE WORKED OUT". OBVIOUSLY, THESE VIEWS ARE AT
VARIANCE WITH THE VERSION GIVEN US BY KIRCHHOFF AND WAITE.
(DEPARTMENT MAY WISH TO PASS THIS ON TO FORMER AMBASSADOR
BURROWS, BUT ODUBER SHOULD NOT BE CITED AS SOURCE.

4. CONCERNING ANTI-TRUST ASPECTS MENTIONED IN REFERENCE
A, WE DID TOUCH ON ONE ASPECT OF THIS DURING THE CONVERSATION
WITH KIRCHHOFF, BUT ONLY IN RESPECT TO ASKING STANDARD'S
OPINION OF THE BEARING OF THE ANTI-TRUST LAWS IN CASE STANDARD
WITHDRAWS FROM THE CENTRAL AMERICAN ARENA, LEAVING
UNITED THE "KING OF THE ROOST". KIRCHHOFF HAD NO SUBSTANTIVE
IDEAS ON THE SUBJECT.

5. COMMENT: WHILE GUIDANCE PROVIDED IN REFERENCE C
IS USEFUL, DEPARTMENT WILL APPRECIATE THAT THIS QUESTION HAS
BECOME HIGHLY SENSITIVE AND EMOTIONAL HERE BECAUSE, AS
POINTED OUT IN REFERENCE B, OF THE LINKAGE OF THE BANANA TAX
IN THE MINDS OF CENTRAL AMERICANS WITH THE SERIOUS PROBLEM
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OF STEEPLY RISING IMPORT COSTS. MOREOVER, PRESIDENT FIGUERES
IS PERSONALLY COMPLETELY IDENTIFIED WITH THE PROJECT (LA NACION
OF MARCH 27 REPORTED FIGUERES WOULD FLY TO PANAMA, COLOMBIA,
ECUADOR, VENEZUELA AND BRAZIL, MARCH 31-APRIL 7, TO DISCUSS
BANANAS AND COFFEE) AND THE OFFICIAL POSITION HERE IS THAT THE
CA PRESIDENTS HAVE ALREADY SPOKEN THE LAST WORD.

6. AT THIS POINT IT WOULD BE VERY USEFUL FOR US IN CONTINUING

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EXPRESSIONS OF INTEREST IN THIS PROBLEM TO KNOW THE VERSION OF TAYLOR AND JOHNSON OF UNITED OF THE MEETING AND OF THE TAX ITSELF, AND UNITED'S (AS WELL AS THE DEPARTMENT'S) ASSESSMENT OF STANDARD'S ARGUMENT THAT THE TAX WOULD RESULT IN A 50 PERCENT FALL OFF IN SALES BECAUSE OF ELASTICITIES.
LANE

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